

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

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AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 8960

C O N F I D E N T I A L OTTAWA 0805

E.O. 11652: GDS

TAGS: MILI, EAIR, MARR, NATO, CA

SUBJ: LOCKHEED QUESTION: GOYER'S VIEWS

1. DURING COURTESY CALL ON MINISTER OF SUPPLY AND SERVICES JEAN-PIERRE GOYER FEBRUARY 25, HE EXPRESSED CONFIDENCE IN CLEAN HANDS OF LOCKHEED WITH RESPECT TO ALLEGATIONS OF PAYMENTS IN CANADA, AND SAID HE COULD SEE HOW LOCKHEED WAS TOO IMPORTANT TO THE UNITED STATES DEFENSE EFFORT TO BE ALLOWED TO BECOME INOPERATIVE. REAL PROBLEM IN HIS VIEW IS THUS FRONT-END FINANCING.

2. GOYER CRITICIZED BOTH DND AND LOCKHEED AS HAVING BEEN "INCREDIBLY SLOPPY" IN THEIR APPROACH TO FRONT-END FINANCING. NOW THAT NO PROVISION HAD BEEN MADE, HOWEVER, HE FELT STRONGLY THAT THE GOVERNMENT SHOULD NOT ATTEMPT TO GO AROUND PARLIAMENT BY SOME FORM OF "BACK DOOR FINANCING", BUT SHOULD SUBMIT NEW BUDGETARY REQUEST TO PARLIAMENT IF LOCKHEED OR THE USG WERE UNABLE TO PROVIDE FINANCING.

3. IT WAS APPARENT THAT GOYER HAD NOT BEEN BRIEFED BY HIS MINISTRY ON THE FINANCING PROPOSALS NOW UNDER CONSIDERATION HERE INVOLVING ISSUE OF A GOVERNMENT SECURITY. WHEN THEY WERE DESCRIBED TO HIM, GOYER INDICATED THAT THE GOVERN-

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MENT COULD NOT OF COURSE GIVE A COMMITMENT THAT THE SECURITY

WOULD NOT BE REVOKED BY A NEW GOVERNMENT, AND THUS THERE WOULD ALWAYS REMAIN AN ELEMENT OF RISK FOR THE BANKS TO PICK UP. HE SUGGESTED THAT THE INTEREST RATE WOULD REFLECT THE JEOPARDY.

4. COMMENT: IN CONTRAST TO EMPHASIS CANADIAN TEAM PUT ON GUARANTEES AGAINST EVENTUAL INABILITY OF LOCKHEED TO IMPLEMENT CONTRACT, THE THREE KEY MINISTERS (MACDONALD AT FINANCE, RICHARDSON AT DEFENSE, GOYER AT SUPPLY AND SERVICES) HAVE NOW ALL ASSERTED TO ME THAT THE REAL PROBLEM IS FRONT-END FINANCING, AND NOT LOCKHEED'S FUTURE.
ENDERS

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